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January 22, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

VIA HAND DELIVERY

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: Customer Proprietary Network Information,
CC Docket No. 96-115

Dear Ms. Salas:

Pursuant to Section 1.1206 of the Commission's rules, Paging Network, Inc. ("PageNet"), by its undersigned counsel, hereby gives notice that on January 20, 1999, Jenny Garner and David Gamble of PageNet, Michael Hazzard of Kelley Drye & Warren and the undersigned met with William Agee, Margaret Egler, Eric Einhorn, Anthony Mastando of the Common Carrier Bureau ("CCB") and Peter Wolfe of the Wireless Telecommunications Bureau ("WTB"), to discuss the above-captioned proceeding. The attached materials summarize the presentation.

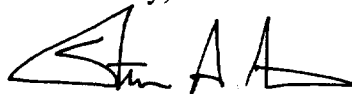
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KELLEY DRYE & WARREN LLP

Ms. Magalie R. Salas
January 22, 1999
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In accordance with Section 1.1206(b), an original and one copy of this notice is being provided.

Sincerely,

A handwritten signature in black ink, appearing to read 'SAA', with a stylized flourish extending to the right.

Steven A. Augustino

SAA:pab

Enclosure

cc: FCC staff members listed above

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JAN 22 1999

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

PageNet CPNI *Ex Parte*

January 20, 1999

Overview

- The Commission's new CPNI rules
- Customer expectations in paging
- The burden and cost of complying with the Commission's new CPNI rules
- Serving customer expectations while easing the burden of compliance

The New CPNI Rules

- Goal of Section 222's CPNI protections:
 - “Balance ... ‘both competitive and consumer privacy interests with respect to CPNI’” SR&O at para. 3
- Let customer expectations set the parameters of carrier use of CPNI
- Led to “total service approach”

The Total Service Approach

- Three baskets of customer expectations
 - CMRS (includes paging)
 - Landline interexchange service
 - Landline local exchange service
- Recognizes that customers have different expectations of services provided by wireless & wireline carriers
- However, the CPNI rules apply landline concepts for CPE and info services to CMRS, in spite of historical differences between landline and CMRS providers

Historical Differences between Landline and CMRS Providers

- Landline
 - Regulation used to prevent incumbent landline providers from using CPNI to market CPE and info services
 - Purpose not to protect consumers, but:
“to protect independent enhanced service providers and CPE providers from discrimination by AT&T, the BOCs, and GTE”
SR&O at para. 7
 - History of monopoly and market power

Historical Differences between Landline and CMRS Providers

- CMRS
 - Integrated offerings are the competitive norm
 - “bundling is an efficient promotional device which reduces barriers to new customers... [m]oreover, packaging [wireless] CPE and service is a common and generally accepted practice...” 7 FCC Rcd 4030 (1992)
 - Providers design service offerings in a largely unregulated environment -- marketplace directs product development
 - History of competitive integrated service packages

Customer Expectations in Paging

- Integrated product the norm
 - CPE (paging device)
 - Messaging
 - Information
- Customers expect new product information
- Customers view the combined package as part of their total service
- PageNet's integrated offering:
 - Numeric
 - Data Cast
 - CNN
 - Voicemail
 - Leased Pagers

To Paging Customers, Messages Are Messages

- To an end user, all messages look the same:
 - A message from a co-worker (telecom service)
 - A broadcast message from the boss (telecom service???)
 - A broadcast message from a news services (info service)
- Customers make no distinction between messages that are telecom services and those that are info services
- Application of landline rules to CMRS contradict this customer expectation

Effect of CPNI Rules on Deploying New Services: The Alpha/Numeric Pager Example

- The introduction of alpha/numeric pagers to the mass market took place without FCC intervention and without CPNI complaints
 - Numeric pagers -- telephone numbers only
 - Alpha/numeric pagers -- telephone numbers, text messages, and broadcast messages
 - Advanced pager -- email and info services

Effect of CPNI Rules on Deploying New Services: The Alpha/Numeric Pager Example

- Had the current CPNI rules applied, this transition would have taken longer and cost substantially more
 - CPNI waiver needed to market advanced CPE to customers that brought a pager to the relationship
 - CPNI waiver needed from all customers to market info services to expand the bundled offering
- Landline rules will slow development of CMRS offerings

The Burdens of the CPNI Rules on Paging Carriers

- Rules seem to make unlawful longstanding marketing practices, even though no complaints/no privacy danger
 - Destination information never used
 - Content information never used
- Single category providers forced to make same computer modifications as carriers that provide service from multiple baskets (e.g., local and long distance), even though almost all customers purchase bundle of CPE, info service, and CMRS service

Paging Market Segmentation

- Only in unusual circumstances does an individual not purchase the bundle
 - Brought own pager into relationship, but purchase info and telecom bundle -- rules prevent marketing CPE to customer without waiver
 - Have old device that can't handle info services (*e.g.*, numeric pager) -- rules seem to prevent marketing a device that can handle information service without waiver

The Cost of Compliance

- Notification and solicitation
 - Solicitation of customer for waivers \$4.1 million
 - Ongoing new customer solicitation \$0.6 million
 - Bill stuffer solicitation \$.15 million each
 - Separate mailing solicitations \$.45 million each
 - Sales staff training \$.35 million
 - Revising customer contracts \$.15 million
- Computer related cost
 - Systems modifications \$.55 million
 - Ongoing computer maintenance \$.10 million

The Cost of Compliance

- Increased marketing costs
 - Across the board marketing Unknown
 - False positives Unknown
 - Loss of good will Unknown
 - Increased churn \$75K/.1% change
- Rules disproportionately burden small carriers, which lack scale to spread costs across large customer base

Easing the Burden

- Use customer expectation as the standard
- Modify rules to permit providers to meet customer expectations as evidenced by marketplace realities
- Recognize that CPE and info services are so integral to paging that they are part of the customer's expectation
- Bring CPE and info service into the CMRS basket
- Eliminate software flagging and audit requirements on single basket service providers